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SUBJECT: LABOR TRENDS IN GEORGIA

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¶1. Summary: Post submits the following voluntary report on labor trends in Georgia. Most Georgians work in agriculture and unemployment and underemployment are high, while wages in hired employment are relatively low. Creating new employment opportunities is a key challenge for the Georgian government. Its approach is to remove obstacles to doing business and encourage investment and economic growth, rather than providing payments and programs for the unemployed who are not indigent. Part of that strategy is a new, employer-friendly labor code. Unions are free to organize, but they are not strong, and strikes are very infrequent. End Summary.

FEATURES OF THE LABOR MARKET

¶2. Employment in Georgia was drastically affected by the collapse of the economy after the fall of the Soviet Union, which reduced GDP to one third of its former level by 1994. In 1979, 53 percent of the labor force was employed in industry. The massive de-industrialization of the economy caused many urban residents to return to their places of origin, at least for part of the year. The transfer of agricultural land into private ownership accelerated the process, so that now 55.6 percent of the population works in agriculture. Productivity is not high. Georgians employed in farming produce only 11.7 percent of GDP, while the 6.8 percent of the labor force employed in industry produces 12.6 percent.

¶3. Only 12 percent of the labor force works in hired employment in the private sector. Twice as many people, 22 percent of the labor force, work in the public sector, including state-owned industries. Fifty-six percent of the labor force is self-employed, at least nominally, compared to 16 percent in the EU. The share of hired employees in total employment has been increasing lately while the share of the self-employed is decreasing, indicating more employment opportunities. However, the official unemployment rate (ILO strict methodology) increased in the first quarter of 2007 to 15.3 percent, high even if seasonally adjusted. The increase is partly attributable to restructuring of the public sector. Official unemployment figures mask considerable under-employment and over-staffing.

¶4. Women play an important role in the labor force in Georgia. Proportionately more work in the public sector (117 women per 100

men) than in the private sector (57 women per 100 men). Women predominate in highly skilled employment. There are 161 highly qualified women professionals per 100 men, and only 5 women per 100 men in the unqualified labor force. Overall however, women earn only 48.6 percent of a man's average salary. Inadequate pensions keep Georgian workers in the work force longer, and lack of opportunity keeps younger workers out. Fifteen percent of the economically active population is over 65, while 9.6 percent is under 25.

15. Since the Rose Revolution, the government has focused on reducing taxes (including employment taxes) and other general economic changes to promote employment. Growth and investment (foreign and domestic) has occurred mainly in fields that do not produce large number of jobs, such as financial and other services, transport and communications. Social programs are focused on the indigent and there is no unemployment compensation for newly unemployed persons. Providing training for the workforce to find employment in the areas of the economy that are growing, such as tourism, is a task the government is beginning to address.

----- Major Recent Developments in Legislation -----

16. On May 25, 2006, Parliament ratified a new Labor Code, which entered into force in June 2006. The new Code considerably liberalized employer-employee relations. Most observers consider it very favorable to employers. The code sets a minimum working age of 16, a 41 hour work week, 24 calendar days of annual leave, and leaves everything else to employer-employee negotiations. The Georgian Government adopted these amendments in order to create a more flexible labor force that would help achieve fast economic growth, make the labor market more responsive to changes in the economy and not least, attract foreign investors. Prior to 2006, labor relations in Georgia were governed by the 1973 Labor Code of the Soviet Republic of Georgia, as amended in 1997.

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----- Tripartite Institutions--Government -----

17. The Department of Labor under the Ministry of Labor, Health and Social Security was abolished in 2006. There is now a Department for Social Protection with only two office employees and one labor inspector working on labor related issues. This department has the primary responsibility within the Government of Georgia (GoG) for labor issues. In addition, one deputy minister focuses on labor issues and the Minister has a special advisor on labor issues. Other departments within the ministry deal with non labor-related issues. The Ministry monitors adherence to accepted labor standards and drafts proposals for changes it deems necessary. The Parliamentary Committee of Health and Social Security has general oversight over labor policy and considers labor related proposals submitted by the Ministry.

18. The new Labor Code required the Ministry to create and maintain authority over a State Agency for Social Aid and Employment to implement state supported employment programs and find jobs for the unemployed. In 2006 the Ministry managed a USD 29 million presidential initiative to pay companies to hire interns. The program was not considered terribly effective however, and this year the remaining USD 17 million from the program will go to the Ministry for Economic Development for vocational training initiatives.

19. The Civil Service Bureau is the President's deliberative body which establishes employment regulations and standards for state employees. The Bureau is accountable to a Civil Service Board chaired by the President. It is mandated to perform the following functions, but it is unclear whether it is in fact performing all of them. The Bureau studies the effectiveness of the civil service; makes recommendations for improvement and structural change in

government agencies; sets rules and methods for selection, hiring, and attestation; and issues recommendations on staffing patterns and additional qualifications for particular jobs in the public sector. The Bureau also designs training and re-training programs and maintains a database of all civil service jobs.

¶10. The Division of Social and Demographic Statistics in the State Department of Statistics has a subdivision for labor statistics which collects labor-related data, mainly based on household surveys.

Tripartite Institutions-Employer Organizations

¶11. The Employers' Association of Georgia (EAG) has about 150 employers as members. Its president, Elguja Meladze, represents the organization at the ILO. The Federation of Georgian Businessmen, headed by Badri Patarkatsishvili, and the American Chamber of Commerce (AmCham) are the two other major business organizations. In addition, there is another association which focuses on small and medium enterprise owners.

Tripartite Institutions-Labor Unions

¶12. The principal labor organization is the Georgian Trades Union Confederation (GTUC) which consists of 25 industrial unions and represents approximately 252,000 workers (about 42 percent of hired employment, but only 15 percent of the total workforce, much of which is self-employed in agriculture). The Teacher's Union has approximately 100,000 members and plans to join the GTUC in late 2007. Outside the GTUC there is only the Cultural Tradeworkers Union, which exists on paper only, and the Independent Trade Union of Metropolitan Employees, which is close to dissolution due to personnel changes.

State of Industrial Relations
and the Role of Government

¶13. The GTUC, the most active voice in the country for unionized workers, would welcome other organizations unionizing the remaining workforce and is not against having competition and/or collaboration. GTUC representatives attend annual ILO conventions and describe their relationship with the GoG and the Employers' Association of Georgia in positive terms. It has stressed that it shares the government's desire for a more prosperous, democratic Georgia (ref B). However, it would like to see a more active social

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policy. The trade unions, AmCham, the Federation of Georgian Businessmen, and the EAG all work with the Georgian government to help develop legislation that will enhance business development. Nevertheless, the GTUC claims the GoG developed the new Labor Code and its collective bargaining provisions without consulting with labor unions.

Major Labor Laws

¶14. The Labor Code of 2006 governs labor relations in Georgia. In addition, the Georgian government is party to a number of International Labor Organization (ILO) conventions including the Forced Labor Convention of 1930, the Paid Holiday Convention of 1936, the Anti-Discrimination (Employment and Occupation) Convention of 1951, the Human Resources Development Convention of 1975, the Right to Organize and Collective Bargaining Convention of 1949, the Equal Remuneration Convention of 1951, the Abolition of Forced Labor Convention of 1957, the Employment Policy Convention of 1964, and the Minimum Age Convention of 1973.

¶15. The Ministry of Labor, Health and Social Security sets the rules for compensation, leave, and allowances for temporary disability, pregnancy, and child care. It also approves rules on unemployment registration. It defines an unemployed person as one who is capable or semi-capable and is seeking employment and ready to work. The new Labor Code provides for a 41-hour workweek and a weekly 24-hour rest period, unless otherwise specified in a labor contract. The Georgian Labor Code mandates 24 calendar days of paid annual leave, together with 17 official holidays. The law requires at least one month's severance pay in case of an employer-initiated dismissal. The labor code does not require premium pay for overtime, leaving it as a subject of the agreement between the parties to a labor contract. Unless otherwise specified in the contract, employees should give one month's notice prior to quitting but employers do not have to give notice before dismissal. The law provides employer-paid maternity leave for up to 126 days (4 months), with the option of an additional 12 months of unpaid leave. It allows an employer-employee contract to prohibit the use of knowledge and qualifications obtained during employment in favor of any rival employer. This provision may remain in force even after the termination of labor relations.

¶16. The national minimum wage for public employees is now 115 GEL (USD 65.71) a month. However, the minimum wage still does not provide a decent standard of living for a worker and family. The official minimum subsistence level for a single person is 158.1 GEL (USD 87.80) and 275 GEL (USD 152) for a family of four. The mandated minimum wage for private sector workers is unchanged for many years at 20 GEL (USD 11.11).

¶17. The average wage in private enterprises is 255.6 GEL (USD 153.5) monthly; in government employment it is 205.4 GEL (USD 130). Minimum monthly pensions are 38 GEL (USD 22.75). Unreported trade activities, assistance from family and friends, and the sale of homegrown agricultural products often supplement salaries.

Freedom of Association

¶18. The constitution and statutes provide for freedom of association, and the government generally respects this right in practice. Authorities grant permits for registration of associations without arbitrary restriction or discrimination. The law allows all workers, including government employees, to form and to join unions of their choice, and they do so in practice. However, there are certain restrictions with regard to law enforcement agencies and employees of the general prosecutor's office. This right is guaranteed by the Constitution of Georgia and the law on trade unions and international conventions; however, the new labor code limits the mechanisms for trade unions to implement its rights.

Collective bargaining

¶19. The law allows unions to conduct their activities without interference but the new code repealed the former Law on Collective Agreements. In the view of the GTUC leadership, the lack of a

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detailed law on collective bargaining -- which they say runs counter to ILO principles -- is the biggest problem with the new Labor Code. The concept still exists, though, as Georgia is a signatory of the International Labor Organization (ILO) 98 convention which set forth standards on collective bargaining. According to the Labor Code, a collective agreement can be concluded between an employer and two or more employees and is based on the same principles as an individual contract. Employees negotiate through a representative, who according to the code can be a physical person. However, the ILO convention requires collective bargaining between the employer and the workers union or trade union -- not the employees themselves.

The law prohibits discrimination by employers against union members, and employers may be prosecuted for such discrimination and forced to reinstate employees and pay back wages.

----- Right to Strike -----

¶20. The law provides for the right to strike with some restrictions on employees in law enforcement and emergency services, and on strikes that could pose a threat to life. The new code sets a maximum time limit of 90 days for strikes. The GTUC believes this renders strikes ineffective because the employer has a guarantee a strike would end after a certain period of time. Employees must give the employer three days notice of a strike and then perform a warning strike lasting one hour. As a practical matter, strikes are rare in Georgia and nearly unknown in the private sector.

----- Forced Labor -----

¶21. The law prohibits forced and compulsory labor, including by children. However, the new labor code permits compulsory labor in cases of emergency and natural disaster. The ILO convention also allows compulsory labor in such situations, but requires remuneration, which is not the case in Georgia's code.

----- Child Labor -----

¶22. There are laws and policies to protect children from exploitation in the workplace. With high unemployment resulting in a large pool of adult workers willing to work for low wages, child labor is uncommon in the country. The Ministry is responsible for enforcing laws regulating child labor. Although official data is not available, child labor is not considered a serious problem. However, in tourist areas, children are commonly seen peddling goods, and children work with their parents on family farms.

¶23. The minimum employment age is 16. In exceptional cases, children may work with parental consent at ages 14 and 15. Children under age 18 may not engage in unhealthy or underground work, and children 15 and over are subject to reduced working hours. The Labor Inspection Department at the Ministry of Labor, Health and Social Security was the only mechanism for monitoring enforcement of the minimum age requirement; however, the department was dissolved in ¶2006. At the end of 2006 a small group of labor inspectors ensured compliance with the law by checking personnel records at organizations, because problems were not likely to be documented in official company records. The only organizations believed to strictly follow minimum age rules are the railroad and aviation sectors.

----- Discrimination in Employment -----

¶24. The Constitution of Georgia prohibits discrimination of any kind, and the law specifically prohibits discrimination against persons with disabilities. In practice, however, discrimination in employment against persons with disabilities and age discrimination still exists. Older job seekers -- trained under the Soviet system -- have a more difficult time obtaining employment than younger workers. Even so, the new Labor Code leaves some room for discrimination. As provided by Article 38, employers now can dismiss employees without explanation other than the employer's desire to do so. Despite this provision the GTUC and its national unions reported frequent cases of management warning staff not to organize trade unions.

----- Occupational Safety and Health -----

¶25. In accordance with the new Labor Code, the Ministry has

determined what constitutes hard, hazardous, and dangerous labor and developed a list of related jobs. It has not, however, identified what benefits employees should receive from employers for working in these types of jobs. The law requires the employer to pay for periodic medical checkups of employees working in hazardous conditions. The Ministry is responsible for monitoring the implementation of health and safety standards. In the event of a claim, Article 42 of the Administrative Code gives the courts authority to impose sanctions on an employer. However, enforcement is a problem since there is only one inspector and the special advisor to the Minister on labor issues. The law permits higher wages for hazardous work and gives workers the right to remove themselves from situations dangerous to their health or safety without jeopardizing their employment status. In practice these protections are rarely, if ever, enforced. The law allows trade unions to assist workers in compensation cases. Within the past year, three such cases have come before the courts with the assistance of trade unions. In two cases the victims' families received compensation for work-related deaths. The third case is still pending.

----- Trafficking in Persons -----

¶26. Georgia is a source and transit country for women and girls trafficked primarily to Turkey and the U.A.E. for the purpose of commercial sexual exploitation. Women and girls from Ukraine, Moldova, Russia, and other former Soviet states are trafficked through Georgia to Turkey, Greece, the U.A.E., and Western Europe. Men are trafficked for the purpose of forced labor; victims are trafficked for the purpose of forced labor in the breakaway regions of Abkhazia and South Ossetia.

¶27. The Government of Georgia fully complies with the minimum standards for the elimination of trafficking. Over the past year, the government made considerable progress in the prosecution and punishment of traffickers, protection and assistance for victims, and prevention of trafficking. Georgia developed and implemented a victim-centered national referral mechanism, provided a building for the country's first trafficking victims' shelter, dedicated on-going funding for victim assistance, passed comprehensive trafficking legislation, aggressively prosecuted and toughened penalties for traffickers, and initiated multiple proactive prevention programs. Georgia was moved from Tier 2 to Tier 1 on the State Department's Trafficking in Persons report in 2007.

----- Migrant/Expat Workers -----

¶28. Georgia allows foreigners to work freely on the local market, but generally does not have a sizable immigrant worker population. Although Chinese migrants are arriving in increasing numbers, most are self-employed (ref C). Economic hardship has encouraged a significant out-migration of Georgians in recent years. Emigration of qualified workers contributes to low labor productivity.

----- Social Security -----

¶29. Employers are legally required to make social security contributions for employees at a rate of 20 percent of the gross salary. The employee portion of social taxes was abolished in 2004. The social tax does not directly fund pensions but provides general revenue to the government, which pays pension benefits to retirees. In 2007 the Government eliminated the 20 percent social tax on employers effective January 1, 2008. However, to make up for some of the lost revenue, the GoG increased the personal income tax to 25 percent from 12 percent effective January 1, 2008 (ref D). The state social security system provides very modest pension and maternity benefits. Moving from a state-financed, defined benefits system to a privatized, defined contributions pension system is a priority of the GoG. There is one pensioner for every 0.7 hired employees in Georgia (optimal would be 3-4), illustrating the difficulties the government faces in its task.

----- Foreign investment potential, agreements -----

¶30. Georgia's liberal labor code is intended to make Georgia more attractive to investors. On June 21, 2007, Georgia signed a Trade and Investment Framework Agreement with the U.S. In addition, Georgia has a Bilateral Investment Treaty with the U.S., signed on March 7, 1994, and entered into force on August 17, 1997.

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Key Labor Contacts:

¶31. Key labor contacts include:

¶A. Minister of Labor, Health, and Social Affairs David Tkeshelashvili. <http://www.molhsa.ge/eng/index.php>;

¶B. Department of Social Protection at the Ministry of Labor, Health and Social Affairs. Tel: +995 32 381139, Fax: +995 32 387863;

¶C. David Tsiklauri, Head of the Civil Service Bureau, Tel: 399302;

¶D. Paata Shavishvili, - Statistics Department, subdivision of labor statistics under the Social and Demographic Statistics Division; Tel: +995 32 367210, ext 600;

¶E. Irakli Petriashvili, President of the Georgian Trade Unions Confederation; Tel: +995 32 323 545, email: gtuc@geo.net.ge;

¶F. Gocha Aleksandria, Vice-President of the Georgian Trade Unions Confederation; Tel: +995 32 323 545, email: gtuc@geo.net.ge;

¶G. Elguja Meladze, President of the Employers' Association of Georgia; Tel: +995 32 222467, email: employer@employer.ge

Key Sources Used in Drafting this
Foreign Labor Trends report:

¶32. Most of the information contained in this report was obtained through face-to-face and email communication. In addition, Post used information from three reports for the relevant sections:

¶A. 2007 Trafficking in Persons report
<http://www.state.gov/g/tip/rls/tiprpt/2007/82805.html>

¶B. 2006 Human Rights Report
<http://www.state.gov/g/drl/rls/hrrpt/2006/78813.htm>

¶C. 2006 Worst Forms of Child Labor Report

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